BEST COPY
AVAILABLE

MONTANA LEGISLATIVE HISTORY

Chapter 147 19 81

Bill H 407 S _____ Original bill & history ___C

H. Committee on Business + Industry			S. Committee on Taxation		
Hearing Date(s)	2-11	___C	Hearing Date(s)	3-11	___C
	_____	___C		_____	___C
	_____	___C		_____	___C
	_____	___C		_____	___C
Date Out	2-12	___C		3-11	

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

11.

BUSINESS AND INDUSTRY COMMITTEE

47th Legislature

Bill No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
HB 380	To revise and add fees charged under the Montana Securities Act; amending 30-10-209.	1/20	Hemstad Smith	2/2	DO PASS AS AMENDED	2/16
HB 386 F.N.	Providing a tax on premiums paid by an employer under compensation plan #3 of the Workers' Compensation Act in the same manner as other insurance premiums are taxed.	1/20	Pistoria Manning	1/30	DO NOT PASS	1/30
HB 385 F.N.	Generally revise the law relating to health service corps.; to tax fees & dues paid to a health service corp. in same manner as other ins. premiums are taxed; to require approval of membership contract forms before use; and to require examination of a health service corp. at least once every 3 years; amend...; repealing 33-30-203.	1/21	Pistoria Manning	2/6	DO PASS AS AMENDED	2/18
HB 407	To amend tax increment laws for urban renewal to allow tax increment financing to be used for urban redevelopment; providing that whenever changes by law of the taxable valuation of the urban renewal area occur, the valuation may be recalculated to reflect the valuation that the area would have had if the change had been in effect at the inception of the urban renewal area; amend....	1/21	Cozzens	2/11	DO PASS	2/12/81

#25

HOUSE BUSINESS AND INDUSTRY COMMITTEE

February 11, 1981

SUMMARIES FOR

HOUSE BILL 407 -

Introduced by Rep. Cozzens, amends the tax increment laws for urban renewal to authorize tax increment financing for urban development as provided in 7-15-4233 and provides for adjustment in the base taxable value whenever changes by law, administrative rule or judicial decision revise the valuation of the urban renewal area.

HOUSE BILL 395 -

Introduced by Rep. Meyer, revises the statutory authority for the Public Service Commission to ascertain the value of property of a public utility by including a utility plant in service or under construction as "used and useful for the convenience of the public."

HOUSE BILL 431 -

Introduced by Rep. Meyer and others, authorizes the Public Service Commission to consider data projected for a future period in setting public utility rates.

HOUSE BUSINESS AND INDUSTRY COMMITTEE

Rep. Ray Jensen, V-Chairman, called the meeting to order February 11, 1981 at 8:00 a.m. in Room 129 Capitol Building, Helena. All members were present. Bills to be heard were HBs 395, 407, 431.

HOUSE BILL 407 -

REP. CHUCK COZZENS, House District #64, Yellowstone County, deals with the concept of tax increment financing which became part of the law in 1972 and is currently being used in several larger cities in Montana. Smaller towns are looking at it. Details are to be presented by proponents.

LARRY GALLAGHER, Community and Economic Development and Rehabilitation consultant, showed a large chart. Urban renewal law enacted in 1959 to take advantage of federal programs for urban renewal activities - assumes elected officials must declare that it is in the public interest that blighted conditions exist - declining or stagnant tax base are evidence. All levying agencies have a strong interest in the wellbeing of tax base property.

If there is no incentive, owners will not invest money in improving their properties. The date a plan is adopted, the tax base is frozen. Declining value would trigger the identification of the need to adopt tax increment taxation to encourage private development by increasing the value above, applying the difference between the base and the increased value - the difference is the tax increment. See EXHIBIT A attached. This is to encourage private investment by using new tax dollars developed by confidence being restored in the area. Subsection (5) "costs incurred in connection with the redevelopment activities allowed under 7-15-4233" was added by HB 407.

Cities have used that money in connection with rehabilitation. Federal moneys are becoming scarce. Cities feel that they ought to be allowed to use their tax increment dollars as the Legislature has already allowed them to use the tax increment dollars as they have been using the federal dollars. Since the last session the Legislature has not been tampering with the tax values, but other agencies - ruling, regulatory and jurisdictional processes - have eroded the base because of inaccurate assessment.

LES PRENTICE, Missoula Redevelopment Agency, Missoula, director said Missoula does have several projects under construction because of their efforts. Because some of the federal programs which are probably going to dry up, we now need to rely on their own tax increment funds. They do need these amendments to the tax increment law. There are several projects that would allow them to get involved in if this is done. The rollback issue in particular has affected us. There has been $463,000 of rollback in Missoula and that has seriously impaired their tax income. Cash flow from the tax increment fund has been eroding and seriously eroded their funding.

JOHN COFFEE, Chairman of the Missoula Redevelopment Agency private sector said changing Missoula needs a lot of help in tax base and jobs. Their economy is hurt very badly; but he thinks that things are on the mend and look pretty good. Hopefully, they need to increase the tax base

thereby increasing tax increment. Can do many things with tax increment funding. They are concerned that we do notspend this funding to increase the tax base - need to put money into things that will make tax increment grow. This can be done if this bill is passed. We would like to set up a facade improvement program whereby the persons who cannot, but need to, mend the facade, we would step in and pick up a percentage of the interest on that loan thereby making the loan at less interest rate. This would enable the land owner to improve his building and thereby increase the tax base in the city.

Budget problems - they have gone through two attempted budgets and it is impossible to know what kind of money they are dealing with - nobody knows. The base year is affected. This won't be misused because they have the city council to go through and work projects are scrutinized each year. Recommends passage of the bill. See his further testimony on his Witness Sheet.

JOHN JEWELL, Councilman from Great Falls, said he supported the tax increment 10 years ago. They support HB 407 wholeheartedly in order to improve the tax base.

BRUCE A. MacKENZIE, D.A.Davidson & Co., Great Falls, MT, said bonding houses require this change. Any change in the actual tax base through a change in taxable valuation methods is taken into account. This increment is what goes to pay for any bonds. If this were to decrease, you decrease the amount of funds available to repay, especially when looking at large increments. The source of that repayment is gone. Some means of adjustment is necessary. Have to be assured that this increment is going to stay there.

JANET CORNISH, Butte-Silver Bow, Butte, representing the local government of the Butte-Silver Bow Redevelopment Agency, supports HB 407.

DONALD R. PEOPLES, Chief Executive of Butte-Silver Bow Urban Renewal, Butte, strongly endorses HB 407. See his testimony EXHIBIT B.

RICK GRIFFITH, Butte-Silver Bow Urban Revitalization Agency, Butte, said the Urban Renewal law that exists givesthem a viable program. They have problems with the way it exists now because they may not be able to get a percentage increment. Without HB 407, they cannot go ahead with projects which will result in a successful revitalization through involvment in financing programs. HB 407 will be a great improvement. EXHIBIT C.

RON MOLEN, Missoula Chamber of Commerce, Missoula, said the City of Missoula has watched a once strong area rapidly deteriorate because of no means of inducing people to go back in and finance that area. They now have 180,000 vacant square feet in the downtown area and immediate loss of jobs. They currently have two large projects because of federal urban renewal tax increment financing. Other projects are uncertain with the 34% rollback, and current interest rates, and drying up of federal funds. The cash flow needs to be maintained because one of the primary goals has been to develop private investment on a 6-1 basis. The primary means of doing this is through the bonding houses. This bill with amendments would bring back more jobs and strengthen the base of the taxes in that urban renewal district.

DONALD KERNS, Redevelopment Director, Helena, said nine structures have been improved costing $6 million, yet the City of Helena has a negative tax increment. He strongly urged that the committee pass HB 407 so that they can recognize some of the problems with this today.

ALICE FRYSLIE, President of the Helena Improvement Society, Helena, supports passage of HB 407. See her testimony on a Witness Sheet.

JAN BROWN, Downtown Helena, Inc. (which is an association of the retail merchants), supports this legislation.

CHARLIE HAIL, Vice President of the Helena School Board, would not oppose this legislation. They are very supportive of tax amendments.

DAVE GOSS, Billings area Chamber of Commerce, said the City of Billings supports amendments heartily. This is necessary because of budget cuts in Washington, D.C. The second amendment provides the ability to establish rollback.

CLARK PYFER, representing the Montana Chamber of Commerce and himself, is chairman of the Montana Chamber of Commerce and a private owner in downtown Helena; is an ower of tax increment financing. He is sold on this program. It is a partnership for private and public funds and it brings it back to the local level where, as a property owner and citizen, you understand how it is handled.

See the letters from Hiram Shaw, Butte; Stephen P. Olson, Senior Vice President of the First Northwestern Bank of Kalispell; Henry K. Good, President of the Uptown Kalispell Development Corporation; F. Charles Mercord, President of the First Federal Savings and Loan of Kalispell; Norma E. Happ, City of Kalispell, all addressed to Rep. Ken Nordtvedt in support of HB 407.

OPPONENTS: None

QUESTIONS -

Rep. Harper - when you are talking about shifting the original tax base - the city is losing money in one area - is there some sort of limitation? Mr. Gallagher said the increment is used to get bonding and it is necessary to have that in order to get money.

Rep. Robbins asked how many square feet are vacant in downtown Helena. Mr. Kerns said there are 100,000 vacant square feet in Helena downtown.

Rep. Schultz asked if all properties will pay their full taxes on the tax base. Mr. Gallagher said there would be a $90,000 increment. The tax is generated by applying the all-purpose levy on the difference.

Rep. Jensen asked what would cause this increasing increment to decline so it would be necessary to change the base? Mr. Gallagher said declining commercial property, not because of those activities, but because of tax assessing errors - discrepancies between commercial valuations allowing rollbacks. Commercial valuation of $5 million and 10% cut allowed through no direct devaluation of the property - somebody simply made a decision.

Are proposing that we be allowed to roll it back to that 10%.

Rep. Ellison said if you adjust this base upward, it looks like somebody is going to come out on the short end. - if you lower the tax base 10%... Mr. Gallagher said this would provide the ability to bond if these bases will not decline, but will improve substantially. If it does rollback other agencies will be affected.

Rep. Schultz asked where the city would get the funds. Mr. Gallagher said bonding could be done - as it is now they can't do this.

Rep. Cozzens closed expressing appreciation for the time and questions. Page 2 of Mr. Gallagher's testimony. Each city has the opportunity of making the judgment on use of those dollars - think control should be kept local. Urge careful consideration and support of this bill.

HOUSE BILL 395 -

REP. DARRYL MEYER, House District #42, Great Falls, sponsor, explained HB 395 is a new way for a company to construct new plants by adding a portion of the construction cost to their rate base. It helps keep the consumer rates lower.

JACK BURKE, Montana Power Company, Butte, as Executive Vice President of MPC has the responsibility for governmental affairs, and local government, and consumers. They support HB 395 very strongly. It would allow a utility to include in its rate base for establishing rates to customers a plant that is under construction but not yet on-line - to include the cost of that construction in their rate base while the plant is being built. The PSC does not allow this because statutes say only a utility plant that is "used and useful for the convenience of the public" can be included for establishing rates. See his testimony EXHIBIT D.

JAMES HUGHES, Mountain Bell, Helena, said a majority of their construction is done on an on-going basis. Their annual construction budget is running around $6 million per year and it is considered Work in Progress. Some of the same principles certainly apply to Mountain Bell. If you can take advantage of the cash flow involved as part of the rate base, that cash flow improvement does increase your cost of capital. The benefit to the consumer is that the company is not having to go out and borrow so much as you improve your cash flow situation because of the Work in Progress. Even if there were such a thing as zero growth and you were adding people to the system - more and more people will be using more - increased use causes a non-static condition. Urges support of this bill.

GENE PHILLIPS, Pacific Power and Light Company, agrees with the comments previously stated. Utility construction programs have increased to serve the needs of existing and anticipated new customers. Construction work in progress (CWIP) - utilities must borrow and as the need for capital increases, the financing pressure increases. Investors want to be satisfied that rate on their investments are satisfactory. This would improve interior cash flow - would improve interest costs - would result in gradual rate increases - would reduce cost of capital. Urged Do Pass.

LAWRENCE GALLAGHER Consultant 303 North Ewing Street • Helena, Montana 59601 • Telephone 406/442-8539

Exhibit A

MEMORANDUM

TO: House Bill #407 Supporters

FROM: Lawrence Gallagher, Consultant

DATE: February 2, 1981

SUBJECT: Reasons to Amend Tax Increment Sections 7-15-4288 and 7-15-4293. (Hearing scheduled for February 11, 1981, 8:00 AM, Room 129, House Business and Industry.)

The First Amendment Proposed

The first amendment proposed is to amend Section 7-15-4288. Costs which may be paid by tax increment financing, to include: "(5) Costs incurred in connection with the redevelopment activities allowed under 7-15-4233."

What does 7-15-4233 allow?

7-15-4233. Powers which may be exercised by urban renewal agency or authorized department. (1) In the event the local governing body makes such determination, such body may authorize the urban renewal agency or department or other officers of the municipality to exercise any of the following urban renewal project powers:

(a) to formulate and coordinate a workable program as specified in 7-15-4209;

(b) to prepare urban renewal plans;

(c) to prepare recommended modifications to an urban renewal project plan;

(d) to undertake and carry out urban renewal projects as required by the local governing body;

(e) to make and execute contracts as specified in 7-15-4251, 7-15-4254, 7-15-4255, and 7-15-4281, with the exception of contracts for the purchase or sale of real or personal property;

(f) to disseminate blight clearance and urban renewal information;

(g) to exercise the powers prescribed by 7-15-4255, except the power to agree to conditions for federal financial assistance and imposed pursuant to federal law relating to salaries and wages shall be reserved to the local governing body;

(h) to enter any building or property in any urban renewal area in order to make surveys and appraisals in the manner specified in 7-15-4257;

(i) to improve, clear, or prepare for redevelopment any real or personal property in an urban renewal area;

(j) to insure real or personal property as provided in 7-15-4258;

(k) to effectuate the plans provided for in 7-15-4254;

(l) to prepare plans for the relocation of families displaced from an urban renewal area and to coordinate public and private agencies in such relocation;

(m) to prepare plans for carrying out a program of voluntary or compulsory repair and rehabilitation of buildings and improvements;

(n) to conduct appraisals, title searches, surveys, studies, and other preliminary plans and work necessary to prepare for the undertaking or urban renewal projects;

(o) to negotiate for the acquisition of land;

(p) to study the closing, vacating, planning, or replanning of streets, roads, sidewalks, ways, or other places and to make recommendations with respect thereto;

(q) to organize, coordinate, and direct the administration of the provisions of this part and part 43;

(r) to perform such duties as the local governing body may direct so as to make the necessary arrangements for the exercise of the powers and performance of the duties and responsibilities entrusted to the local governing body.

(2) Any powers granted in this part or part 43 that are not included in subsection (1) as powers of the urban renewal agency or a department or other officers of a municipality in lieu thereof may only be exercised by the local governing body or other officers, boards, and commissions as provided under existing law.

The reader should be made aware that each city has an opportunity to review the annual work program and budget for urban renewal activities and therefore can limit the powers to be exercised. Should a city decide not to use the powers to rehabilitate properties or to enter into a compulsory code enforcement program, it simply can decide not to do so whenever it adopts its annual work program. Section 7-15-4206. (18) "Urban renewal plan" means a plan, as it exists from time to time, for one or more urban renewal areas or for an urban renewal project, which plan:

(a) shall conform to the comprehensive plan or parts thereof for the municipality as a whole; and

(b) shall be sufficiently complete to indicate, on a yearly basis or otherwise:

(i) such land acquisition, demolition, and removal of structures; redevelopment; improvements; and rehabilitation as may be proposed to be carried out in the urban renewal area;

It is clear that local government has the discretion whether or not to use the powers authorized by the urban renewal law and if this amendment is approved to use tax increment dollars for those activities.

Why do we need the amendment?

The urban renewal law (7-15-4281) provided financial authority to municipalities to: "borrow money and apply for and accept advances, loans, grants, contributions, and any other form of financial assistance from the federal government; from the state, a county, or any other public body; or from any sources, public or private, for the purposes of this part and enter into and carry out contracts in connection therewith;"

The section goes on to authorize appropriations, the levy of taxes and assessments, expenditures, investments, adoption of annual budgets; to enter into agreements with agencies or departments vested with urban renewal project powers.

Additionally, municipalities have the power to issue urban renewal bonds, refunding bonds, and/or general obligation bonds, (in accordance with procedures set forth) to finance urban renewal activities..." to finance the exercise of any and all powers conferred upon the municipality by this part (43) and part 42 which are necessary and proper to complete the project in accordance with the approved plan and any modification thereof duly adopted by the local governing body."

If municipalities can use all of these various funding mechanisms to pay the costs of urban renewal activities, why can't they use their own tax increment dollars for approved urban renewal activities?

Cities are being forced to do without federal categorical funds and the old federal programs which were used to finance urban renewal activities no longer exist. Thus, it is important if urban renewal is to suceed that we be allowed to use our own tax increment dollars as we are authorized to use federal and other funding sources.

The Second Amendment Proposed

The second amendment proposed is to amend Section 7-15-4293 to include administrative or judicial change in the method of appraising property, the tax rate applied to it, or the tax exemption status of property, or the taxable valuation of property if the change in taxable valuation is based on conditions existing at the time the base year was established.

Why? Cities which have adopted tax increment financed urban renewal projects (Billings, Helena, Great Falls, Butte, Kalispell, Missoula) have been unable to budget from one year to the next because of rulings by courts, tax appeal boards, or the State Department of Revenue. These non-statutory decisions have resulted in substantial changes to the taxable valuation of commercial properties reducing the vlaue of certain properties in tax increment districts to such an extent that despite substantial new private investment there is no tax increment or the anticipated overall increment is not adequate to cover debt service on bonds anticipated to be sold.

This amendment would allow a municipality to adjust its base year accordingly if, for example, a blanket, statewide, 34% roll-back of commercial property values was mandated by a court or the State Tax Appeals Board or the State Department of Revenue.

Ken Nordtvedt
Chairman, House Taxation Committee
Rm. 102
State Capitol
Capitol Station
Helena, Montana

Mr Nordtvedt and Members of the House of Representatives Taxation Committee:

My name is Don Peoples and I am the Chief Executive of Butte-Silver Bow. Butte-Silver Bow established its Urban Renewal District in 1979 and completed its Urban Renewal Plan including a tax increment provision in October of 1980. We are very pleased with this method of financing projects within the district as it is dependent on revenues generated within our area. We hope to realize the first increment funds during the next fiscal year.

The local government of Butte-Silver Bow heartily supports House Bill 408. The expansion of allowable activities for which tax increments may be used will provide us with local sources of funding for all of our revitalization activities. This is especially important in light of dwindling Federal aid programs to cities and the growing additude in many communities that the Federal Government should have less to do with local development projects. HB 408 would allow our Urban Revitalization Agency to engage in facade improvement programs, economic development and energy conservation activities which are all crucial to Butte-Silver Bow's redevelopment success.

We are especially interested in the provision included in HB 408 which will adjust our frozen tax base to allow for individual tax appeals. Property owners within our Urban Renewal District have, in 40 cases (1980), appealed their property taxes up to an allowable 34%. This is very detrimental to our tax increment program and could result in a negative increment in 1981. HB 408 would adjust the 34% roll back to our base year of 1980 and the increment can then be figured on a relative basis.

We therefore strongly endorse HB 408 and would be happy to provide any additional data which may aid your decision making process.

Thank you for this opportunity to express our concerns.

BUTTE-SILVER BOW URBAN REVITALIZATION AGENCY

Courthouse
Butte, Montana 59701
(406) 723-8262 ext. 354

February 3, 1981

Ken Nordtvedt, Chairman
House Committee of Taxation
Room 102
State Capitol
Capitol Station
Helena, Montana 59601

Mr. Nordtvedt and Members of the Committee:

My name is Rick Griffith and I am the Chairman of the Butte-Silver Bow Urban Revitalization Board. Our agency was established in 1979 to rehabilitate and renovate Butte's Urban Renewal Area which consists of our entire central business district and the surrounding neighborhoods. The Montana Urban Renewal Law gives us a framework in which to operate our agency and the tax increment financing provision can provide us with a viable funding source for urban renewal projects.

However, we are rather concerned as to whether we will receive a positive increment in the first year since our frozen tax base was established in 1980. Despite the fact that 17 new businesses have come to our renewal area in the last year and a number of other establishments have either expanded within the area or moved from other sections of our community we are anticipating some problems. This is due to the administrative tax roll backs granted to property owners within our central business district. HB 407, introduced by Representative Cozzens of Billings would certainly help us alleviate this problem. We understand that taxes do present a hardship to building owners in economically depressed areas but we must realize some increase in our tax base is necessary to reverse an overall downward trend. HB 407 will allow communities to adjust their frozen or base year to reflect administrative roll backs in property taxes. In this manner property owners may continue to get some tax relief but their community can also benefit to some extent when any improvements are made which result in an increased taxable value.

The Butte-Silver Bow Revitalization Agency also favors the other provision in Mr. Cozzens bill. Expanding the number of costs which may be covered by tax increment funds will give our Agency the ability to conduct activities which are so crucial to the success of our district. Economic development and a revolving loan fund for store front rehabilitation are two areas of primary concern for our agency. Under existing statutes these activities can not be paid for with tax increment funds. HB 407 will permit us to go forward with these and other projects which will result in a successful revitalization effort.

Thank you for your consideration.

Rick Griffith, Chairman

NAME [illegible] BILL No. [illegible]

ADDRESS [illegible] DATE [illegible]

WHOM DO YOU REPRESENT [illegible]

SUPPORT Y OPPOSE [illegible] AMEND [illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

[illegible]

FORM CS-34
1-81

2412 Gladstone Avenue
Butte, Montana 59701
January 31, 1981

Honorable Ken Nordtvedt
Chairman
House Taxation Committee
State Legislature
Helena, Montana 59601

Dear Mr. Chairman:

This letter is in reference to HB 407, introduced by Legislator Chuck Cozzens concerning the uses of tax increment financing for urban renewal.

I am a member of the Butte-Silver Bow Urban Revitalization Agency, created by the Butte-Silver Bow Council of Commissioners in 1979.

The Council has, in approving the Agency's Urban Renewal Plan, also authorized the use of tax increment financing as a means of supporting local urban renewal projects.

In determining, however, what the best local uses of these funds would be, we find that we are limited by State Law in making our own determinations. I would, therefore, urge the Committee to give strong consideration to adopting that provision of HB 407 which extends the uses to which tax increment financing can be applied to include all uses authorized under urban renewal law.

This is particularly of concern to our Agency since we are suffering economic decline in our community and must rely heavily on this method of financing to carry out our local projects.

Some examples of the additional uses to which we would put these funds include:

* Parking facilities development
* Historic preservation
* Economic development
* Tourism development

We would also want to be able to consider a building rehabilitation revolving loan program, for both commercial and residential rehabilitation loans. This program would guarantee and reduce the interest on bank loans to property owners, thus enabling the private sector to participate in multiplying the funds available for this effort.

I would also urge the committee to give favorable consideration to the provisions of HB 407 allowing for administrative property tax rollbacks to be adjusted to the base year of the tax increment program. This would enable the community to at least recover a percentage of the tax increments which is so important to our ability to finance local projects.

HB 407 is of vital importance to our agency in Butte and to the ability of the community to see the projects that we have been working towards achieving for two years actually begin to work.

Your consideration would be very much appreciated.

Respectfully submitted,

Hiram Shaw

Hiram Shaw

FIRST NORTHWESTERN
Kalispell, Montana 59901
406/755-5082

January 29, 1981

Mr. Ken Nordvedt, Chairman
House Tax Committee
State Capitol
Helena, Montana 59601

Dear Mr. Nordvedt:

Presently we are working with the City of Kalispell Community Development Department in a very successful commercial rehabilitation loan subsidy program. The leveraging project, with a public/private partnership agreement is a very important tool in our community's revitalization programs. House Bill #407, with proper planning, involvement of the private sector and authorization from the local governing body, can greatly assist Montana Cities in their community development efforts.

I strongly endorse House Bill #407.

Sincerely,

Stephen P. Olson
Senior Vice President

ms

UPTOWN KALISPELL
KALISPELL DEVELOPMENT CORPORATION • 12 Third Street East • Kalispell, Montana 59901 • Telephone 406-257-7491

January 29, 1981

Mr. Ken Nordtvedt, Chairman
House Tax Committee
State Capitol
Helena, Montana 59601

Dear Mr. Nordtvedt:

The Kalispell Development Corporation endorses House Bill #407 The amendment to the Tax Increment Financing Law will further revitalization of our approved Kalispell Downtown Redevelopment Plan adopted by City Ordinance. The Kalispell Development Corporation was started with initial funding from the membership and other interested community leaders. At the present time we have a successful community development program underway simply because we are involving the private sector in development of land made possible through a HUD Small Cities Grant. Friday of last week, the Mayor dedicated a 42 unit housing project for the elderly and handicapped. This land assemblage was made possible through the City of Kalispell's HUD Small Cities Grant; and the development is now under management from a private developer. This improved project has greatly added to our housing needs and has established a better tax base.

Two lending institutions, First Federal Savings and Loan Association of Kalispell and the First Northwestern National Bank of Kalispell, are working with the Community Development Department in leveraging loans in both the residential and commercial areas; again, positive proof that the public and private sectors definitely can work toward community revitalization. Through Montana's Tax Increment Law, we feel that we have set up the necessary guidelines through the City of Kalispell that would encourage private development and revitalization. We urge the adoption of House Bill #407.

Sincerely,

KALISPELL DEVELOPMENT CORPORATION

Henry K. Good

Henry K. Good,
President

HKG:sm

FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION OF KALISPELL

202 MAIN STREET • KALISPELL, MONTANA 59901 • (406) 755-7101
P. O. BOX 27

January 29, 1981

Mr. Ken Nordvedt
House Tax Committee
State Capitol
Helena, Montana 59601

Dear Mr. Nordvedt:

First Federal Savings & Loan of Kalispell has, for the past 2 years, entered into a contractual agreement with the City of Kalispell to provide financing for rehabilitation of residential properties. We are proud to say that, as of this date, this program has proven successful - both from the standpoint of the city's community development program and our financial institution. The city, with their HUD Small Cities Grant, is leveraging monies with our savings and loan institutions funds to make low interest loans available for residential units within the city's approved redevelopment area. This public/private financial sector agreement is proving worthwhile and shows that revitalization projects, with the cooperation of local lending institutions and local government, can attain use of a workable program.

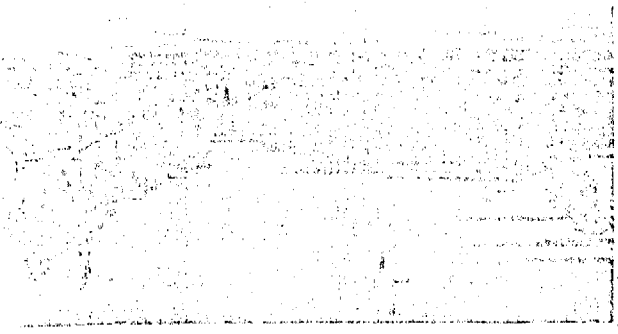
I strongly endorse the passage of House Bill 407 because it would provide additional mechanisms for community revitalization through private investment participation with programs that are endorsed with local government approval.

Sincerely,

F. Charles Mercord
President

FCM:jh

P.O. BOX 1997 ZIP CODE 59901



THE CITY OF KALISPELL, MONTANA

Mayor
Norma E. Happ

"IN THE HEART OF THE NATION'S PLAYGROUND"

January 29, 1981

Mr. Ken Nordtvedt
House Tax Committee
State Capitol
Helena, Montana 59601

Dear Mr. Nordtvedt:

May I add my strong support to passage of House Bill #407. The City of Kalispell, by Ordinance, has adopted the Kalispell Downtown Redevelopment Plan. To date we have had a very successful partnership with local lending institutions in our rehabilitation programs; and "The Elm's" housing project was made possible by working with the private sector in utilizing HUD's Small Cities Grant for the intended purpose of Community Development. With a well planned development program, Tax Increment Financing with the proposed amendments, would help Montana Cities to prepare and complete programs with local government approval. May I again urge the passage of this legislation.

Sincerely,

CITY OF KALISPELL

Norma E. Happ,
Mayor

NEH:dkp

47th LEGISLATIVE SESSION

HOUSE BILLS COMMITTEE ON TAXATION

BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO NOT DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CONCURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CONCURRED IN DATE
370	2-10-81	2-16-81						3-20-81	
389	2-19-81	3-11-81						3-11-81	
407	3-04-81	3-11-81					3-11-81		
408	3-02-81	3-19-81					3-19-81		
411	2-16-81	3-11-81					3-16-81		
415	2-13-81	3-12-81						4-03-81	
428	4-01-81	4-03-81	Tabled						
433	2-13-81	3-12-81							3-16-81
435	2-13-81	3-12-81					3-16-81		
447	2-20-81	3-13-81							3-16-81
457	2-16-81	3-13-81					3-13-81		
462	2-05-81	3-06-81					3-16-81		
474	2-14-81	3-13-81					4-21-81		
499	4-08-81	4-13-81							4-14-81
525	2-19-81	3-16-81					3-16-81		
528	3-02-81	3-17-81					3-17-81		

(Use Separate Sheet for Senate, House Bills, and Resolutions)

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 11, 1981

The 43rd meeting of the committee was called to order at 8:00 a.m. in Room 415 of the State Capitol Building, Chairman Pat Goodover presiding.

ROLL CALL: All members were present.

CONSIDERATION OF HOUSE BILL 389:

"AN ACT PROVIDING FOR ANNUAL OR QUARTERLY REGISTRATION OF MOTOR VEHICLES OWNED BY NONRESIDENTS TEMPORARILY EMPLOYED IN MONTANA: SUBJECTING SUCH VEHICLES TO TAXATION: AND ESTABLISHING WINDOW DECALS AS THE FORM OF LICENSE EVIDENCING QUARTERLY REGISTRATION: AMENDING SECTIONS 15-24-301, 15-24-302, 61-2-701, AND 61-3-703"

Representative Hart, District 55, said the bill would register any out-of-state people working in Montana. Instead of a license plate a highly visible colored window decal would be issued quarterly. The 90-day preference in present law has been abused with counties adjacent to this state the worst offenders; they have not been registering or, if they get the plate, law enforcement people can't enforce. Many out-of-state people are coming into Montana because of the oil activity. Similar laws have been enacted in states bordering us; Montana has a reciprocity agreement with Wyoming covering persons working at the Decker mine, but living in Sheridan. The fiscal note is based on many assumptions. If the registration could be enforced, it would mean an increase in yearly revenue of $924,000 to Montana. This is based on the assumption that the 19,000 persons who do not register would continue to be unregistered each quarter. The cost of decals is $12,000 and the quarterly charge would be 1/4 of the annual assessed rate.

PROPONENTS: Bud Schoen, Motor Vehicle Division, with a question about the $2 fee mentioned on page 5, line 9; and Sally Price, representing Montana Assessor's Association.

Representative Hart closed by saying she didn't know where the $2 fee should be placed in the bill. She said that some increase in workers coming to Montana could be expected and she felt the colored decal would be noticed immediately by law enforcement people. She responded to Senator Severson's question about having to license a custom combine by saying there was no intent for the bill to have anything to do with harvesting equipment.

The hearing was closed on HB 389.

CONSIDERATION OF HOUSE BILL 407:

"AN ACT TO AMEND THE TAX INCREMENT LAWS FOR URBAN RENEWAL TO ALLOW TAX INCREMENT FINANCING TO BE USED FOR URBAN DEVELOPMENT: PROVIDING THAT WHENEVER CHANGES BY LAW

OF THE TAXABLE VALUATION OF THE URBAN RENEWAL AREA OCCUR, THE VALUATION MAY BE RECALCULATED TO REFLECT THE VALUATION THAT THE AREA WOULD HAVE HAD IF THE CHANGE HAD BEEN IN EFFECT AT THE INCEPTION OF THE URBAN RENEWAL AREA; AMENDING SECTIONS 7-15-4288 AND 7-15-4293, MCA."

Representative Cozzens, District 64, said that tax increment districts have been part of the law since 1972 with only minor changes since then; this bill is designed to make the law more workable.

PROPONENTS:

Larry Gallagher: Mr. Gallagher represented the Missoula Development Association, and he said the proposed amendments are to allow expanded use of tax increment dollars. In 1972 use of tax increment money was limited to specific activities. In implementing the law, we find that many of the cities that are using tax-financed urban renewal have used grants from other federal and state agencies. As those funds are no longer available, this amendment is to allow cities, at the discretion of the city council, to use tax increment dollars for use the same as other funds are authorized. Mr. Gallagher said Representative Ramirez sponsored a bill that, in the event the Legislature got a method of assessing valuation to affect a base year, the cities could adjust their base year accordingly. No changes have affected us in the last few years, but STAB and DOR appeals have seriously affected values. Because of the 34% ruling we are unable to tell bond buyers clearly about base year funds. We ask for inclusion of a statutory method of determining valuation. Mr. Gallagher presented letters from individuals in Kalispell, Attachments 1 through 4.

Other proponents were: Allen Nicholson, Helena developer; Alyce Fryslie, Helena, Attachment #5; John Toole, Missoula City Councilman and member of the redevelopment agency; Al Thelen, City Administrator in Billings; Les Prentice, Director, Missoula Redevelopment Agency; John Coffee, Chairman, Missoula Development Agency; Clark Pyfer, downtown Helena property owner; Ed Jasmin, Northwestern Bank Director, Helena; John Marrille, Polson Community Development Director; Charlie Hail, Helena School Board Vice-chairman; Dave Kleitsch, Missoula Redevelopment Agency, Attachment #6 and Attachment #7; Jan Brown, Downtown Helena, Inc.; and Dan Mizner, Montana League of Cities and Towns.

There were no opponents. Questions were called from the Committee.

NORMAN: Suppose the taxable valuation in the district fell below the frozen tax base, what would happen then?

GALLAGHER: If it fell because of functional obsolesence, we

aren't asking to adjust the base accordingly. I suppose taxes would go up and assessments would be levied.

NORMAN: Money would not be available for increment?

GALLAGHER: No. It wouldn't.

NORMAN: Could you add Representative Ramirez' feature to this?

GALLAGHER: Ramirez' was to catch a statutory change which came about because of Proposition 13 in California. Should the Committee decide to take values down from 8.55% it would affect the base year, and it was necessary to put that declarer in the bonds. We can catch legislative changes but cannot deal with DOR regulatory changes and STAB or district court decisions.

NORMAN: What you are doing in effect is lowering the base.

TOWE: Do you have any figures that could illustrate what we are talking about in costs that you want included?

GALLAGHER: In 1978, Helena adopted the first tax base increment. Between 1978 and 1980 nine million dollars has been invested and resulted in a high increment for Helena. Kalispell is going to start having a base of 4.5 million dollars. If this rollback is granted, they are back to where they were in 1978; no increment, no bonds.

THELEN: We are taking in approximately 1.7 million dollars and administrative costs are probably $18,000. Some of the primary work in Billings was done with federal dollars.

COZZENS: A check is kept locally on accountability.

TOWE: The council would have to make a decision about base recalculation. Are the cities looking favorably on reducing the base?

THELEN: When we had the Supreme Court decision on MELDA based on our practice we would. What we need is a clarifier to convince bond attorneys that we can do it and sell bonds.

NORMAN: Suppose there is a tax increment district, bonds were issued, everything is fine, and then things sour. Ultimately who is going to be left accountable for the bonds? How would the bond companies attempt to recover their money?

GALLAGHER: Tax increment does not pledge full faith and credit. It is a sole-source revenue bond. If we can't convince bond buyers it is healthy, the bonds won't be sold.

NORMAN: But suppose a bond somewhere failed and everything was done to salvage it, but in the end you find there is a change in the law. Who would they move against?

GALLAGHER: If a specific improvement were named, they would be

able to attach a specific structure.

TOOLE: I don't think you are right that there is a risk in SIDS. I assume the general law for issue of revenue bonds applies to tax increment districts.

NORMAN: Do you believe SID issues are the entire city's obligation?

GALLAGHER: As a practical matter they have been picking up delinquent SID bonds. Whether or not they are required by law, I don't know.

NORMAN: Bond counsels insist they are and that they have to have it in there. If there is a failure, it comes against the whole city and you will levy millage to make up those bonds.

The hearing was closed on HB 407.

CONSIDERATION OF HOUSE BILL 411:

"AN ACT AMENDING SECTION 16-4-501, MCA, TO REDUCE THE ANNUAL FEE FOR AN ALL-BEVERAGE LICENSE ISSUED TO A UNIT OF A NATIONALLY CHARTERED VETERAN'S ORGANIZATION."

Representative Burnett, District 71, said the DOR felt this bill was needed. In recodifying, language that gives a $150-dollar increment advantage over ordinary liquor licenses to military service groups was not included. He introduced Ellen Feaver, Department of Revenue.

FEAVER: Prior to the 1977 revision, veterans groups had an advantage in the renewal fee. In 1979 the advantage was inadvertently left out. The department did not notice this and continued to renew at a lower fee than other organizations. The legislative auditor's office performed an audit and discovered that the provision was no longer in the law. Rather than change the renewal policy, we decided it would be better to bring the legislation to your attention. There was never any intention to do away with the differential.

Bob Durkee, Montana Tavernowner's Association and VFW, was also a proponent. There were no questions from the committee and the hearing was closed on House Bill 411.

CONSIDERATION OF HOUSE BILL 763:

"AN ACT TO REQUIRE ITEMIZED CITY ASSESSMENTS TO BE INCLUDED ON PROPERTY TAX NOTICES SENT TO TAXPAYERS: AMENDING SECTION 15-16-101, MCA."

Representative Pistoria, District 39, passed out attachment #8. The attachment includes a letter from the Cascade County assessor. Representative Pistoria said the bill proposes itemizing city assessments on property tax notices instead of handling the assessments with a lump-sum figure.

THELEN: No, we would agree to take care of it just like any break in any other part of the system. But on rural SID now the county has to pay us for work done on maintenance. The county wants this more than we do.

ECK: We had a bill here about using the revolving fund for maintenance (borrowing from it). The reason they were here was they couldn't get the City of Billings to take care of maintenance. Senator Eck referred to Tom Hager's bill.

THELEN: Tom's bill would allow the county to take care of responsibilities that weren't coming into the city. This bill deals only with annexation of the property near the city.

CRIPPEN: You would like to have repairs done on city terms.

THELEN: Also for the property owner. He thinks he can call us and get the same benefit as someone a block away.

Senator Towe moved that House Bill 351 BE CONCURRED IN. The motion carried unanimously.

Report on SB 150 and HB 156:

Senator Crippen said that SB 150 had a substantial fiscal note so they checked with Senator Kolstad. The recommendation from sponsor Kolstad was that credit be reduced--what is now shown as 20% to be raised to 40%.

Senator Crippen said they had nothing to report on House Bill 156 at this time.

DISPOSITION OF HOUSE BILL 389:

Amendment language proposed by Senator Towe was approved unanimously. Senator Ochsner moved that HB 389 BE CONCURRED IN. The motion passed by an 8-5.

DISPOSITION OF HOUSE BILL 407:

Senator Towe moved that HB 407 BE CONCURRED IN. The motion carried with Senators Norman and Manley voting no, Senator McCallum abstaining.

The meeting adjourned at 10:00 a.m.

Patty Goodover

PAT M. GOODOVER, Chairman

UPTOWN KALISPELL

KALISPELL DEVELOPMENT CORPORATION • 12 Third Street East • Kalispell, Montana 59901 • Telephone 406-257-7491

January 29, 1981

Mr. Ken Nordtvedt, Chairman
House Tax Committee
State Capitol
Helena, Montana 59601

Dear Mr. Nordtvedt:

The Kalispell Development Corporation endorses House Bill #407. The amendment to the Tax Increment Financing Law will further revitalization of our approved Kalispell Downtown Redevelopment Plan adopted by City Ordinance. The Kalispell Development Corporation was started with initial funding from the membership and other interested community leaders. At the present time we have a successful community development program underway simply because we are involving the private sector in development of land made possible through a HUD Small Cities Grant. Friday of last week, the Mayor dedicated a 42 unit housing project for the elderly and handicapped. This land assemblage was made possible through the City of Kalispell's HUD Small Cities Grant; and the development is now under management from a private developer. This improved project has greatly added to our housing needs and has established a better tax base.

Two lending institutions, First Federal Savings and Loan Association of Kalispell and the First Northwestern National Bank of Kalispell, are working with the Community Development Department in leveraging loans in both the residential and commercial areas; again, positive proof that the public and private sectors definitely can work toward community revitalization. Through Montana's Tax Increment Law, we feel that we have set up the necessary guidelines through the City of Kalispell that would encourage private development and revitalization. We urge the adoption of House Bill #407.

Sincerely,

KALISPELL DEVELOPMENT CORPORATION

Henry K. Good

Henry K. Good,
President

HKG:sm

FIRST NORTHWESTERN BANK
Kalispell, Montana 59901
406/755 5082

January 29, 1981

Mr. Ken Nordvedt, Chairman
House Tax Committee
State Capitol
Helena, Montana 59601

Dear Mr. Nordvedt:

Presently we are working with the City of Kalispell Community Development Department in a very successful commercial rehabilitation loan subsidy program. The leveraging project, with a public/private partnership agreement is a very important tool in our community's revitalization programs. House Bill #407, with proper planning, involvement of the private sector and authorization from the local governing body, can greatly assist Montana Cities in their community development efforts.

I strongly endorse House Bill #407.

Sincerely,

Stephen P. Olson
Senior Vice President

ms

P.O. BOX 1035 ZIP CODE 599

May
Norma E. Ha

THE CITY OF
KALISPELL, MONTANA

"IN THE HEART OF THE NATION'S PLAYGROUND"

January 29, 1981

Mr. Ken Nordtvedt
House Tax Committee
State Capitol
Helena, Montana 59601

Dear Mr. Nordtvedt:

May I add my strong support to passage of House Bill #407 The City of Kalispell, by Ordinance, has adopted the Kalispell Downtown Redevelopment Plan. To date we have had a very successful partnership with local lending institutions in our rehabilitation programs; and "The Elm's" housing project was made possible by working with the private sector in utilizing HUD's Small Cities Grant for the intended purpose of Community Development. With a well planned development program, Tax Increment Financing with the proposed amendments, would help Montana Cities to prepare and complete programs with local government approval. May I again urge the passage of this legislation.

Sincerely,

CITY OF KALISPELL

Norma E. Happ

Norma E. Happ,
Mayor

NEH:dkp

FIRST FEDERAL SAVINGS AND LOAN OF KALISPELL

202 MAIN STREET • KALISPELL, MONTANA 59901 • (406) 755-7101
P. O. BOX 27

January 29, 1981

Mr. Ken Nordvedt
House Tax Committee
State Capitol
Helena, Montana 59601

Dear Mr. Nordvedt:

First Federal Savings & Loan of Kalispell has, for the past 2 years, entered into a contractual agreement with the City of Kalispell to provide financing for rehabilitation of residential properties. We are proud to say th t, as of this date, this program has proven successfu - both from the standpoint of the city's community development program and our financial institution. The city, with their HUD Small Cities Grant, is leveraging monies with our savings and loan institutions funds to make low interest loans available for residential units with n the city's approved redevelopment area. This public/private financial sector agreement is proving worthwhile and shows that revitalization projects, with the cooperation of local lending institutions and local government, can attain use of a workable program.

I strongly endorse the passage of House Bill 407 because it would provide additional mechanisms for community revitalization through private investment participation with programs that are endorsed with local government approval.

Sincerely,

F. Charles Mercord
President

FCM:jh

NAME Alice Fryslie BILL No. HB407

ADDRESS Helena DATE 3/11/81

WHOM DO YOU REPRESENT The Helena Improvement Society

SUPPORT X OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

I am President of the Helena Improvement Society, a private non-profit corporation made up from Helena citizens dedicated to establishing local policies and programs which will provide jobs, improve the tax base and make Helena a better place to live.

Thus far the Helena Improvement Society has invested over $18,500. of their own private funds to finance the (study) land use inventory for Helena's second tax imcrement district. Planning has not been an eligible use of tax increment money.

The Helena Improvement Society has spent an additional $13,000 private funds, for the promotion of investment opportunities in Helena's downtown - not now an eligible use of tax increment financing.

We have aggressively supported the City's renewal effort and have provided continued strong private financial support to compliment the programs such as tax increment financed redevelopment.

We support HB407 because we need to expand the use ot Tax Increment Financing dollars to include renewal activities we have historically funded with federal monies.

We also have seen our base year value (1978) erode because of successful commercial property tax appeals granted because of the erronious method of establsihing commercial property values.

Because of the difficulty in determing the value of many commercial properties and constant appeals by property owners we have been unable to budget, plan for the use of tax increment dollars, or aniticipate with reasonable certainty, how much will be available.

We strongly urge a do pass recommendation for HB 407.

FORM CS-34
1-81

missoula
Area Chamber Of Commerce
P.O. BOX 7577 • MISSOULA, MONTANA 59807
(406) 543-6623

March 10, 1981

Senate Taxation Committee
Room 415
Capital Building
Helena, Montana 59601

TO: MEMBERS OF SENATE TAXATION COMMITTEE

THE MISSOULA AREA CHAMBER OF COMMERCE STRONGLY ENDORSES HB407.

We watched a strong downtown rapidly decay due to expanded urban development. The addition of a large new regional mall and population shifts created a serious problem with the existing downtown area. In 1978 there was hardly any vacant space in downtown Missoula. In fall of 1980 there was 108,000 sq. ft. vacant. In dollars this costs the community in both real and property taxes, not to mention community spirit in having a major area deteriorate.

Tax Increment financing has given downtown Missoula new optimism and life for the future. Our Uban Renewal Agency has encouraged new development in the area. A new hotel-convention center and a large office building are being built as well as major expansion of two existing motels. In addition, several other projects are on the drawing board. This creates jobs in addition to greatly improving the Tax Base of the area. These projects exemplify a working partnership between private and public dollars.

HB407 clarifies and removes the uncertanties that administrative and judicial decisions create with regard to tax increment financing. Currently the 34% rollback of Commercial property assessments could eliminate any increment currently accrued and seriously endangers future success of our program.

Tax increment financing has developed into an effective tool for communities, large and small, to encourage development of specific areas. Passage of HB407 would boost the success of this program in the future.

Sincerely,

Warren Wilcox

Warren Wilcox
President, Missoula
Area Chamber of Commerce

WW/cm

ACCREDITED

BUTTE-SILVER BOW URBAN REVITALIZATION AGENCY

Courthouse
Butte, Montana 59701
(406) ~~723-4714 or 723-4713~~
723-8262 ext. 354

March 10, 1981

Senator Goodover
Senate Taxation Committee
State Capitol
Capitol Station
Helena, Montana 59601

Senator Goodover and Members of the Committee:

The Butte-Silver Bow Urban Revitalization Agency was established in 1979 to rehabilitate and renovate Butte's Urban Renewal Area which consists of our entire central business district and the surrounding neighborhoods. The Montana Urban Renewal Law gives us a framework in which to operate our agency and the tax increment financing provision (included in our urban renewal plan) to provide us with a viable funding source for urban renewal projects. We are very pleased with this method of financing projects within the district as it is dependent on revenues generated within our area. We hope to realize the first increment funds during the next fiscal year.

The Urban Revitalization Agency and the local government of Butte-Silver Bow heartily support House Bill 407. The expansion of allowable activities for which tax increments may be used will provide us with local sources of funding for all of our revitalization activities. This is especially important in light of dwindling Federal aid programs to cities and the growing attitude in many communities that the Federal Government should have less to do with local development projects. HB 407 would allow our Urban Revitalization Agency to engage in facade improvement programs, ecomomic development and energy conservation activities which are all crucial to Butte-Silver Bow's redevelopment success.

We are especially interested in the provision included in HB 407 which will adjust our frozen tax base to allow for individual tax appeals. Property owners within our Urban Renewal District have, in 40 cases (1980) appealed their property taxes up to an allowable 34%. Despite the fact that 17 new businesses have come into our renewal area in the last year and a number of other establishments have either expanded within the area or moved from other sections of our community we are anticipating some problems as a result of tax appeals. We understand that taxes do present a hardship to building owners in economically depressed areas but we must realize that some increase in our tax base

is necessary to reverse an overall downward trend. HB 407 would allow communities to adjust their frozen or base year to reflect administrative roll backs in property taxes. In this manner property owners can continue to get some tax relief but their community can also benefit to some extent when any improvements are made which result in an increased taxable value.

We therefore strongly endorse HB 407 and would be happy to provide any additional data which may aid your decision making process.

Thank you for this opportunity to express our concerns.

Sincerely,

Rick Griffith

Rick Griffith, Chairperson, Urban Revitalization Agency

Donald R. Peoples (pc)

Don Peoples, Chief Executive, Butte Silver Bow